

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006**

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

TABLE OF CONTENTS

		Page
OFFICIALS		1
INDEPENDENT AUDITORS' REPORT		2
FINANCIAL STATEMENTS	Exhibit	
Statements of Net Assets	A	4
Statements of Revenue, Expenses and Change in Net Assets	B	6
Statements of Cash Flows	C	7
Notes to Financial Statements		9
SUPPLEMENTARY INFORMATION	Schedule	
Schedules of Expenses	1	20
Schedule of Outstanding Debt	2	22
Statistical Reports (Unaudited)	3	23
Information Required by Revenue Note Resolution (Unaudited)	4	24
OTHER REPORTS		
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On Audits of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>		25
Schedule of Findings and Questioned Costs		27

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**OFFICIALS
JUNE 30, 2007**

Name	Position	Term Expires	Insurance Coverage
Richard Kohler	Chairman	12/31/08	\$ 10,000
Phil Cannon	Trustee	12/31/10	10,000
Lynne Don Carlos	Trustee	12/31/12	10,000
 Duane Armstead	 General Manager		 10,000
Sharyl Newbury	City Clerk/Treasurer	(Resigned)	40,000
Rebecca Haase	City Clerk/Treasurer	(Current)	40,000

O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

402-592-3800

Fax: 402-592-7747

www.ofwf.com

Gerald A. Wills, C.P.A.
Ronald W. Ferdig, C.P.A.
Lawrence A. Wolfe, C.P.A.
Richard P. Edgar, C.P.A.
Steven M. Povich, C.P.A.
John Keblesh, C.P.A.

Gregory A. Harr, C.P.A.
Dwain E. Wulf, C.P.A.
Daniel R. Holt, C.P.A.
Daniel A. Dudley, C.P.A.
Geoffrey F. Schnathorst, C.P.A.
Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Electric System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2007 and 2006, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric System, a department of Greenfield Municipal Utilities, as of June 30, 2007 and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the Electric System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

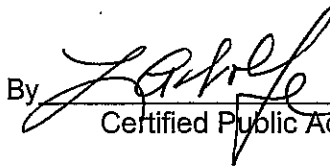
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedules 3 and 4 which are marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

November 2, 2007

By



Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

ASSETS	2007	2006	Increase (Decrease)
CURRENT ASSETS:			
Cash and Equivalents	\$ 1,563,284	\$ 660,641	\$ 902,643
Investment in Certificates of Deposit	400,000	400,000	-
Accounts Receivable - Customers	345,614	336,498	9,116
Inventories - Materials and Supplies	367,258	302,638	64,620
Sales and Use Tax Recoverable	10,241	-	10,241
Patronage Dividend Receivable	54,033	65,455	(11,422)
Accrued Interest Receivable	11,449	9,009	2,440
Prepaid Insurance	16,935	16,703	232
Deferred Bond Issue Costs, Net of Amortization	5,459	6,359	(900)
Total Current Assets	2,774,273	1,797,303	976,970
RESTRICTED ASSETS:			
Investment in Certificates of Deposit	514,177	514,177	-
Investment in Debt Reserves Held by SIMECA	241,187	239,349	1,838
Total Restricted Assets	755,364	753,526	1,838
PROPERTY AND EQUIPMENT:			
Production Plant	4,096,829	4,096,829	-
Transmission System	240,620	240,620	-
Distribution System	3,789,557	3,727,213	62,344
Vehicles, Tools and Equipment	342,137	311,722	30,415
Total Cost	8,469,143	8,376,384	92,759
Accumulated Depreciation	(4,636,060)	(4,381,058)	(255,002)
Cost Less Depreciation	3,833,083	3,995,326	(162,243)
Construction in Progress	692,783	-	692,783
Total Property and Equipment, Net	4,525,866	3,995,326	530,540
OTHER NONCURRENT ASSETS:			
Patronage Dividend Receivable	247,442	213,466	33,976
Deferred Bond Issue Costs, Net of Amortization	23,631	10,560	13,071
Total Other Noncurrent Assets	271,073	224,026	47,047
	<u>\$ 8,326,576</u>	<u>\$ 6,770,181</u>	<u>\$ 1,556,395</u>

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

LIABILITIES	2007	2006	Increase (Decrease)
CURRENT LIABILITIES:			
Accounts Payable -			
Vendors and Suppliers	\$ 224,448	\$ 17,937	\$ 206,511
Contractors	184,670	-	184,670
SIMECA	14,050	183,204	(169,154)
Sewer Rental Collections	78,791	106,604	(27,813)
Due to City	13,400	13,400	-
Sales and Use Tax Payable	-	11,975	(11,975)
Accrued Liabilities -			
Salaries and Wages	8,573	6,674	1,899
Compensated Absences	31,408	40,011	(8,603)
Interest	77,921	47,288	30,633
Current Portion of Long term Debt	288,000	219,000	69,000
Total Current Liabilities	921,261	646,093	275,168
NONCURRENT LIABILITIES:			
Revenue Notes Payable	2,815,000	1,795,000	1,020,000
Lease Purchase Contract Obligation	997,000	1,085,000	(88,000)
Total Noncurrent Liabilities	3,812,000	2,880,000	932,000
Total Liabilities	4,733,261	3,526,093	1,207,168
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	893,010	913,245	(20,235)
Restricted for Debt Covenants and Construction	765,499	760,840	4,659
Unrestricted	1,934,806	1,570,003	364,803
Total Net Assets	3,593,315	3,244,088	349,227
	<u>\$ 8,326,576</u>	<u>\$ 6,770,181</u>	<u>\$ 1,556,395</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		2006		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 760,167	22.2	\$ 731,141	22.6	\$ 29,026
Commercial Sales	641,883	18.7	673,574	20.8	(31,691)
Industrial Sales	1,751,111	51.0	1,641,577	50.7	109,534
Street Light Sales	20,294	0.6	20,038	0.6	256
Sales to Water	39,020	1.1	31,017	1.0	8,003
Sales to City	37,513	1.1	40,671	1.3	(3,158)
Patronage Dividend	65,797	1.9	62,402	1.9	3,395
Forfeited Discounts and Other	118,294	3.4	39,247	1.2	79,047
Total Operating Revenue	3,434,079	100.0	3,239,667	100.0	194,412
OPERATING EXPENSES:					
Plant Operations	57,073	1.7	93,785	2.9	(36,712)
Plant Maintenance	33,315	1.0	40,265	1.2	(6,950)
Purchased Energy	2,074,161	60.4	1,976,912	61.0	97,249
Distribution Operations	166,156	4.8	142,481	4.4	23,675
Distribution Maintenance	123,308	3.6	123,127	3.8	181
Accounting and Collecting	52,659	1.5	57,111	1.8	(4,452)
Administrative Expenses	103,857	3.0	90,186	2.8	13,671
Refunds and Rebates	11,145	0.3	33,420	1.0	(22,275)
Depreciation Expense	274,557	8.0	268,845	8.3	5,712
Total Operating Expenses	2,896,231	84.3	2,826,132	87.2	70,099
Operating Earnings	537,848	15.7	413,535	12.8	124,313
NONOPERATING REVENUE (EXPENSES):					
Interest Income	116,176	3.4	61,150	1.9	55,026
Gain (Loss) on Sale of Assets	-	-	(3,100)	-	3,100
Miscellaneous Income (Expense)	4,419	0.1	(7,576)	(0.2)	11,995
Interest Expense	(178,216)	(5.2)	(151,900)	(4.7)	(26,316)
Total Nonoperating Revenue (Expenses)	(57,621)	(1.7)	(101,426)	(3.0)	43,805
Net Income Before Transfers	480,227	14.0	312,109	9.8	168,118
TRANSFERS OUT:					
Payments to City	(100,000)		(128,400)		28,400
To Water System	(31,000)		(100,047)		69,047
Change in Net Assets	349,227		83,662		265,565
Total Net Assets, Beginning	3,244,088		3,160,426		83,662
Total Net Assets, Ending	<u>\$ 3,593,315</u>		<u>\$ 3,244,088</u>		<u>\$ 349,227</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 3,402,409	\$ 3,221,983
Payments to Suppliers	(2,426,728)	(2,228,931)
Payments to Employees	(279,174)	(289,794)
Other Receipts (Expenses)	<u>4,419</u>	<u>(7,576)</u>
Net Cash from Operating Activities	700,926	695,682
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to City	(100,000)	(128,400)
Transfers to Water System	<u>(31,000)</u>	<u>(100,047)</u>
Net cash from Noncapital Financing Activities	(131,000)	(228,447)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase and Construction of Capital Assets	(620,428)	(33,869)
Bond Issue Costs	(19,563)	-
Revenue Note Proceeds	1,220,000	-
Loss on Asset Sales	-	(3,100)
Interest Paid on Notes and Lease Debt	(140,190)	(146,528)
Principal Paid on Revenue Notes	(135,000)	(135,000)
Principal Paid on Lease Purchase Debt	<u>(84,000)</u>	<u>(82,000)</u>
Net Cash from Capital and Related Financing Activities	220,819	(400,497)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	113,736	58,163
Certificates of Deposit, Net (Purchased) Redeemed	-	100,000
Reserve Deposits Paid to SIMECA	<u>(1,838)</u>	<u>(1,087)</u>
Net Cash from Investing Activities	111,898	157,076
Net Increase in Cash and Equivalents	902,643	223,814
Cash and Equivalents, Beginning of Year	660,641	436,827
Cash and Equivalents, End of Year	<u>\$ 1,563,284</u>	<u>\$ 660,641</u>

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
RECONCILIATION OF OPERATING EARNINGS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Earnings	\$ 537,848	\$ 413,535
Adjustments to Reconcile Operating Earnings to Net Cash		
Provided by Operating Activities -		
Depreciation Non-cash Expense	274,557	268,845
Miscellaneous Revenue (Expense)	4,419	(7,576)
Loss on Sale of Assets	-	3,100
Change in Operating Assets and Liabilities -		
Accounts Receivable (Increase) Decrease	(9,116)	(20,737)
Inventories (Increase) Decrease	(64,620)	(74,721)
Patronage Dividend Receivable (Increase) Decrease	(22,554)	3,053
Prepaid Expenses (Increase) Decrease	(232)	(572)
Accounts Payable Increase (Decrease)	9,544	86,104
Due to City	-	13,400
Sales and Use Tax Recoverable	(10,241)	-
Sales and Use Tax Payable Increase (Decrease)	(11,975)	5,993
Other Accrued Liabilities Increase (Decrease)	(6,704)	5,258
Total Adjustments	163,078	282,147
Net Cash from Operating Activities	<u>\$ 700,926</u>	<u>\$ 695,682</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General -

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The Board of Trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities may follow the statements and interpretations of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements. GMU has elected to continue to apply FASB pronouncements issued after November 30, 1989.

The significant accounting policies of GMU are described below.

B. Reporting Entity -

Generally accepted accounting principles require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

In accordance with GASB 14, the Greenfield Municipal Utilities have been identified as a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. Accordingly, these financial statements include only the accounts of the Electric System. The financial activities of the Water System are presented and reported on separately.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Measurement Focus and Basis of Accounting -**

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The Electric System is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned, except unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

D. **Use of Estimates -**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. **Cash and Equivalents -**

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less. Cash and equivalents held as restricted assets are excluded for cash flow purposes.

F. **Inventories - Materials and Supplies -**

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

G. **Capital Assets -**

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

Plant and Structures	20-50 Years
Sub-Station Improvements	20-35 years
Transmission System Improvements	25-35 Years
Distribution System Improvements	25-35 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Net Assets Classifications* -

Net assets are shown in three components, as follows:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Amounts shown as restricted net assets and the purpose of the restriction are as follows:

Restricted for	2007	2006
Revenue Notes Reserve	\$ 290,933	\$ 287,073
Revenue Notes Capital		
Improvement Reserve	150,000	150,000
Lease Purchase Reserve	324,566	323,767
Totals	<u>\$ 765,499</u>	<u>\$ 760,840</u>

I. *Taxes* -

GMU is not liable for federal and state income taxes or taxes on its property. However, payments in-lieu-of taxes and other contributions are made to the City by the Electric System.

NOTE 2 - CASH AND POOLED INVESTMENTS

GMU pool their deposits and investments and maintain records as to the Electric System and Water System share of the total balance. All deposits at June 30, 2007 and 2006, were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the utility or the utility's agent in the utility's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

See Independent Auditors' Report.

NOTE 2 - CASH AND POOLED INVESTMENTS (Continued)

The investments held by SIMECA for debt reserves are not in the name of the utility and are invested in the Iowa Public Agency Investment Trust (IPAIT). All other investments at June 30, 2007, were held as certificates of deposits and cost is the same as carrying value.

Monies held for special purposes are restricted to the use for which designated and cannot be used for the general operations of the utility. The funds held for debt redemption, debt reserve and improvements are required by covenants of the revenue notes payable.

NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2007 and 2006, is as follows:

2007	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production Plant	\$ 4,096,829	\$ -	\$ -	\$ 4,096,829
Transmission System	240,620	-	-	240,620
Distribution System	3,727,213	62,344	-	3,789,557
Vehicles, Tools and Equipment	311,722	49,970	19,555	342,137
Total Cost	<u>\$ 8,376,384</u>	<u>\$ 112,314</u>	<u>\$ 19,555</u>	<u>\$ 8,469,143</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,142,427	\$ 120,725	\$ -	\$ 2,263,152
Transmission System	240,158	-	-	240,158
Distribution System	1,740,381	130,273	-	1,870,654
Vehicles, Tools and Equipment	258,092	23,559	19,555	262,096
Total Accumulated Depreciation	<u>\$ 4,381,058</u>	<u>\$ 274,557</u>	<u>\$ 19,555</u>	<u>\$ 4,636,060</u>
2006	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production Plant	\$ 4,105,049	\$ 1,268	\$ 9,488	\$ 4,096,829
Transmission System	241,577	-	957	240,620
Distribution System	3,704,573	23,321	681	3,727,213
Vehicles, Tools and Equipment	383,759	9,279	81,316	311,722
Total Cost	<u>\$ 8,434,958</u>	<u>\$ 33,868</u>	<u>\$ 92,442</u>	<u>\$ 8,376,384</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,027,880	\$ 120,936	\$ 6,389	\$ 2,142,427
Transmission System	241,115	-	957	240,158
Distribution System	1,612,178	128,884	681	1,740,381
Vehicles, Tools and Equipment	320,383	19,025	81,316	258,092
Total Accumulated Depreciation	<u>\$ 4,201,556</u>	<u>\$ 268,845</u>	<u>\$ 89,343</u>	<u>\$ 4,381,058</u>

See Independent Auditors' Report.

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense by asset group charged to operations is as follows:

	2007	2006
Production Plant	\$ 120,725	\$ 120,936
Distribution System	130,273	128,884
Vehicles, Tools and Equipment	23,559	19,025
Totals	<u>\$ 274,557</u>	<u>\$ 268,845</u>

NOTE 4 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2007 and 2006 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

NOTE 5 - REVENUE NOTES PAYABLE

During 2001, the Electric System issued \$1,400,000 of revenue notes, maturing serially from September 1, 2002 through September 1, 2013, with interest at various rates from 4.30 to 5.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable on or after September 1, 2010, at par plus accrued interest.

During 2003, the Electric System issued \$840,000 of refunding notes, maturing serially from September 1, 2004 through September 1, 2010, with interest at various rates from 1.60 to 3.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable on or after September 1, 2010, at par plus accrued interest. The proceeds were used to complete a current refunding of higher interest rated bonds issued in 1992. The total benefit of this refunding is \$120,410, which will be recognized as reduced interest expense over the payment period of the refunding notes.

During 2006, the Electric System issued \$1,220,000 of revenue notes, maturing serially from September 1, 2007 through September 1, 2021, with interest at various rates from 4.00 to 4.60 percent per annum payable annually on September 1. The notes are callable on or after September 1, 2014, at par plus accrued interest. The proceeds were used for improvements to the Power Plant Substation.

See Independent Auditors' Report.

NOTE 5 - REVENUE NOTES PAYABLE (Continued)

Future debt service requirements are as follows:

Year Ending June 30,	Revenue Obligation 2001		Refunding Obligation 2003		Revenue Obligation 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 25,000	\$ 67,213	\$ 120,000	\$ 12,590	\$ 55,000	\$ 65,836
2009	20,000	66,145	120,000	9,530	85,000	47,810
2010	20,000	65,175	125,000	6,035	90,000	44,310
2011	25,000	64,060	130,000	2,080	85,000	40,810
2012	175,000	58,973	-	-	80,000	37,510
2013	185,000	49,746	-	-	80,000	34,290
2014	195,000	39,912	-	-	80,000	31,010
2015	205,000	29,461	-	-	90,000	27,460
2016	220,000	18,250	-	-	70,000	24,083
2017	230,000	6,210	-	-	75,000	20,982
2018	-	-	-	-	80,000	17,610
2019	-	-	-	-	80,000	14,070
2020	-	-	-	-	85,000	10,378
2021	-	-	-	-	90,000	6,417
2022	-	-	-	-	95,000	2,185
Totals	<u>\$ 1,300,000</u>	<u>\$ 465,145</u>	<u>\$ 495,000</u>	<u>\$ 30,235</u>	<u>\$ 1,220,000</u>	<u>\$ 424,761</u>

Year Ending June 30,	Total Required		Total
	Principal	Interest	
2008	\$ 200,000	\$ 145,639	\$ 345,639
2009	225,000	123,485	348,485
2010	235,000	115,520	350,520
2011	240,000	106,950	346,950
2012	255,000	96,483	351,483
2013	265,000	84,036	349,036
2014	275,000	70,922	345,922
2015	295,000	56,921	351,921
2016	290,000	42,333	332,333
2017	305,000	27,192	332,192
2018	80,000	17,610	97,610
2019	80,000	14,070	94,070
2020	85,000	10,378	95,378
2021	90,000	6,417	96,417
2022	95,000	2,185	97,185
Totals	<u>\$ 3,015,000</u>	<u>\$ 920,141</u>	<u>\$ 3,935,141</u>

See Independent Auditors' Report.

NOTE 5 - REVENUE NOTES PAYABLE (Continued)

The resolutions providing for the issuance of the revenue notes include the following provisions:

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the noteholders hold a lien on the future earnings of the activity.
- B. Sufficient monthly cash transfers shall be made to an electric bond and interest account for the purpose of making the next annual principal and interest payment when due. As of June 30, 2007, the electric bond and interest sinking fund account was fully funded.
- C. Additional monthly cash transfers shall be made to an electric bond reserve account until such account reaches \$247,500. This amount is restricted for the purpose of paying principal and interest whenever, for any reason, the funds on deposit in the sinking fund are insufficient to pay such principal and interest when due. As of June 30, 2007, the electric bond reserve account was fully funded.
- D. Cash transfers shall be made to an electric capital improvement account until such account reaches \$150,000. This account is restricted for the purpose of paying for extraordinary maintenance costs, rentals, improvements, extensions or repairs to the system not included in the annual budget of revenues and current expenses, and bond principal and interest. As of June 30, 2007, this account was fully funded.

NOTE 6 - LEASE-PURCHASE CONTRACT OBLIGATION

The Electric System is leasing two generation units installed in its service territory under agreements that are classified as a capital lease. The cost of the assets under the capital lease of \$1,982,548 is included in the balance sheet as production equipment and is being depreciated at the same rate as other similar production equipment.

This lease-purchase agreement is with SIMECA in the original principal amount of \$1,479,327. Interest rates on the capitalized lease vary from 3.20% to 5.30% which are the rates being paid by SIMECA on the funds borrowed to fund the lease. The lease-purchase agreement expires March 1, 2017. Payments under this agreement are due semiannually beginning September 2002 with future minimum payments as follows:

Year Ending June 30,	Rate	Principal	Interest	Total
2008	4.20%	\$ 88,000	\$ 53,333	\$ 141,333
2009	4.40%	91,000	49,636	140,636
2010	4.60%	96,000	45,633	141,633
2011	4.75%	100,000	41,216	141,216
2012	4.90%	105,000	36,466	141,466
2013	5.00%	110,000	31,322	141,322
2014	5.10%	115,000	25,821	140,821
2015	5.20%	120,000	19,957	139,957
2016	5.25%	127,000	13,717	140,717
2017	5.30%	133,000	7,049	140,049
Totals		<u>\$ 1,085,000</u>	<u>\$ 324,150</u>	<u>\$ 1,409,150</u>

See Independent Auditors' Report.

NOTE 6 - LEASE-PURCHASE CONTRACT OBLIGATION (Continued)

The resolutions providing for the issuance of the SIMECA lease-purchase include the following provisions:

- A. Cash transfers shall be made to a reserve fund held by SIMECA until such account reaches \$147,900. This amount is restricted as security for the bonds. As of June 30, 2007, this account was fully funded.
- B. The Board shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 125% of the average annual payments. As of June 30, 2007, the net revenues exceeded this requirement.

NOTE 7- CHANGES IN LONG-TERM DEBT

Changes in long-term debt for the years ended June 30, 2007 and 2006, are as follows:

2007	Balances July 1,	Issues or Additions	Payments or Expenditures	Balances Due Within June 30,	One Year
2001 Revenue Notes	\$ 1,320,000	\$ -	\$ 20,000	\$ 1,300,000	\$ 25,000
2003 Revenue Refunding Notes	610,000	-	115,000	495,000	120,000
2002 Revenue Notes (SIMECA)	1,169,000	-	84,000	1,085,000	88,000
2006 Revenue Notes	-	1,220,000	-	1,220,000	55,000
	<u>\$ 3,099,000</u>	<u>\$1,220,000</u>	<u>\$ 219,000</u>	<u>\$ 4,100,000</u>	<u>\$288,000</u>

2006	Balances July 1,	Issues or Additions	Payments or Expenditures	Balances Due Within June 30,	One Year
2001 Revenue Notes	\$ 1,340,000	\$ -	\$ 20,000	\$ 1,320,000	\$ 20,000
2003 Revenue Refunding Notes	725,000	-	115,000	610,000	115,000
2002 Revenue Notes (SIMECA)	1,251,000	-	82,000	1,169,000	84,000
	<u>\$ 3,316,000</u>	<u>\$ -</u>	<u>\$ 217,000</u>	<u>\$ 3,099,000</u>	<u>\$219,000</u>

NOTE 8 - PAYMENT TO THE CITY

By resolution of the Board of Trustees, the electric system pays an in-lieu-of payment to the City of Greenfield at the rate of \$.003 per KWH based on the estimated annual sale of electricity. This payment, once estimated, is not adjusted. The payments in 2007 and 2006 were \$100,000 and \$115,000 for each year, respectively. In addition, the Electric System owes the City \$13,400 from 2006 as a result of the Board designating that the electric system would purchase a mower for the city.

See Independent Auditors' Report.

NOTE 9 - PENSION AND RETIREMENT BENEFITS

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the employer is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Electric System's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 was \$12,066, \$12,096, and \$11,847, respectively, which met the required contributions for each year.

NOTE 10 - DEFERRED COMPENSATION PLAN

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 11 - RELATED PARTIES

South Iowa Municipal Electric Cooperative Association (SIMECA) membership is made up of 12 municipalities, one of which is Greenfield Municipal Utilities. It is organized to purchase, generate, transmit or distribute electric energy and to develop and establish safety programs for the benefit of its municipal members. Profits from SIMECA are returned to its members as patronage refund dividends.

SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and is party to a long-term contract with them for the purchase of up to 621.0KVA of electric energy and the distribution of this energy to its members. This 15.5 year contract provides for minimum payments of \$200,000 and runs to December 31, 2008, when the contract may be extended indefinitely unless terminated by giving a five year notice. Greenfield's share of the minimum payment is approximately \$32,000.

Currently, SIMECA has purchased and installed generation equipment in several of its member municipalities and issued its revenue bonds in payment thereof. Each applicable member has entered into a lease-purchase agreement whereby the member will pay a proportionate share of interim costs and revenue bond principal and interest debt incurred by SIMECA regarding the installed generation equipment. GMU's share of this debt principal was originally \$1,479,327, which is the subject of the capitalized lease-purchase shown in the financial statements. See Note 6.

NOTE 12 - CONCENTRATIONS

The Electric System provides electricity to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

See Independent Auditors' Report.

NOTE 12 - CONCENTRATIONS (Continued)

Sales to a local manufacturing company accounted for approximately 50 and 51 percent of the total operating revenue for the years ended June 30, 2007 and 2006, respectively.

NOTE 13 - RISK MANAGEMENT

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statements of net assets.

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING

GMU prepares a budget on the basis of cash receipts and disbursements instead of the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this Electric System, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The Electric System budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual Electric System activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue- GAAP Basis	\$ 3,554,674	
Adjust for -		
Customer Charge Accruals	(9,116)	
Other Operating Revenue Accruals	(22,554)	
Nonoperating Revenue Accruals	(2,440)	
Operating and Nonoperating Revenue - Budget Basis	<u>\$ 3,520,564</u>	<u>\$ 3,603,500</u>

See Independent Auditors' Report.

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

	Actual	Budget
Operating and Nonoperating Expenses-		
GAAP Basis	\$ 3,205,447	
Adjust for -		
Operating Expense Accruals	194,214	
Nonoperating Expense Accruals	1,713	
Capital Outlays	805,098	
Revenue Note Proceeds	(1,220,000)	
Depreciation	(274,557)	
Debt Payment	219,000	
Operating and Nonoperating Expenses-		
Budget Basis	<u>\$ 2,930,915</u>	<u>\$ 3,664,950</u>

NOTE 16 - COMMITMENTS

The Electric Utility is in the process of making a power plant substation improvement. The contracts associated with this improvement total \$1,141,819. As of June 30, 2007, \$692,783 has been recorded as construction in progress, leaving \$449,036 of work yet to be completed on the improvement project.

NOTE 17 - RESTATEMENTS

Certain amounts for 2006 may be restated or terminology changed to be comparative to the 2007 financial statement presentation or terminology. There is, however, no change in net assets or overall revenue and expense activities previously reported.

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		2006		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 6,279	0.2	\$ 44,707	1.4	\$ (38,428)
Employer Payroll Taxes	2,243	0.1	8,347	0.3	(6,104)
Group Insurance	7,634	0.2	6,558	0.2	1,076
Professional Fees	115	-	1,047	-	(932)
Insurance	11,242	0.3	18,747	0.6	(7,505)
Fuel and Lube Oil	26,707	0.8	11,282	0.3	15,425
Utilities and Communications	2,853	0.1	3,097	0.1	(244)
Total Plant Operations	<u>\$ 57,073</u>	1.7	<u>\$ 93,785</u>	2.9	<u>\$ (36,712)</u>
Plant Maintenance -					
Engine Repairs	\$ 2,948	0.1	\$ 12,568	0.4	\$ (9,620)
Supplies - Operating and Maintenance	14,643	0.4	25,288	0.7	(10,645)
Repair Maintenance Services	15,724	0.5	2,409	0.1	13,315
Total Plant Maintenance	<u>\$ 33,315</u>	1.0	<u>\$ 40,265</u>	1.2	<u>\$ (6,950)</u>
Purchased Energy	<u>\$ 2,074,161</u>	60.4	<u>\$ 1,976,912</u>	61.0	<u>\$ 97,249</u>
Distribution Operations -					
Salaries and Wages	\$ 126,032	3.7	\$ 107,879	3.4	\$ 18,153
Employer Payroll Taxes	18,902	0.6	15,303	0.5	3,599
Group Insurance	18,528	0.5	13,875	0.4	4,653
Professional Fees	1,317	-	3,816	0.1	(2,499)
Street Light Expense	1,377	-	1,608	-	(231)
Total Distribution Operations	<u>\$ 166,156</u>	4.8	<u>\$ 142,481</u>	4.4	<u>\$ 23,675</u>
Distribution Maintenance -					
Vehicle Operating Expenses	\$ 12,444	0.4	\$ 11,865	0.4	\$ 579
Supplies - Operating and Maintenance	110,864	3.2	111,262	3.4	(398)
Total Distribution Maintenance	<u>\$ 123,308</u>	3.6	<u>\$ 123,127</u>	3.8	<u>\$ 181</u>

(Continued)

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC UTILITY SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		2006		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Accounting and Collecting -					
Salaries and Wages	\$ 30,697	1.0	\$ 41,748	1.3	\$ (11,051)
Employer Payroll Taxes	3,783	0.1	1,801	0.1	1,982
Group Insurance	7,673	0.2	5,787	0.2	1,886
Advertising and Notices	1,011	-	1,166	-	(155)
Office Supplies	4,431	0.1	5,358	0.2	(927)
Copier and Computer Maintenance	5,064	0.1	1,251	-	3,813
Total Accounting and Collecting	<u>\$ 52,659</u>	1.5	<u>\$ 57,111</u>	1.8	<u>\$ (4,452)</u>
Administrative Expenses -					
Salaries and Wages	\$ 40,914	1.2	\$ 20,503	0.6	\$ 20,411
Employer Payroll Taxes	9,123	0.3	17,085	0.5	(7,962)
Group Insurance	7,366	0.2	6,201	0.2	1,165
Professional Fees	11,218	0.3	9,315	0.3	1,903
Insurance	11,174	0.3	2,876	0.1	8,298
Economic Development	6,572	0.2	11,584	0.4	(5,012)
Travel, Conferences and Dues	14,007	0.4	10,541	0.3	3,466
Utilities and Communications	2,205	0.1	2,315	0.1	(110)
Supplies - Operating and Maintenance	1,091	-	434	-	657
Use Taxes	187	-	9,332	0.3	(9,145)
Total Administrative Expenses	<u>\$ 103,857</u>	3.0	<u>\$ 90,186</u>	2.8	<u>\$ 13,671</u>
Rebates and Refunds	<u>\$ 11,145</u>	0.3	<u>\$ 33,420</u>	1.0	<u>\$ (22,275)</u>
Depreciation Expense	<u>\$ 274,557</u>	8.0	<u>\$ 268,845</u>	8.3	<u>\$ 5,712</u>

Note - Percentages are based on total operating revenue.

See Independent Auditors' Report.

SCHEDULE 2

GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEMSCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2007

	Maturity Date	Interest Rate	Principal Amount
Electric Revenue Notes (Issued May 1, 2001)	09/01/07	4.70%	25,000
	09/01/08	4.80%	20,000
Interest is payable September 1 and March 1. Notes	09/01/09	4.90%	20,000
due on September 1, 2011, and thereafter are callable	09/01/10	5.00%	25,000
in inverse order on September 1, 2010, and any date	09/01/11	5.10%	175,000
thereafter	09/01/12	5.15%	185,000
	09/01/13	5.20%	195,000
	09/01/14	5.25%	205,000
	09/01/15	5.30%	220,000
	09/01/16	5.40%	230,000
			<u>1,300,000</u>
Electric Refunding Notes (Issued July 1, 2003)	09/01/07	2.40%	120,000
	09/01/08	2.70%	120,000
Interest is payable September 1 and March 1. Notes	09/01/09	3.00%	125,000
due on September 1, 2008, and thereafter are callable	09/01/10	3.20%	130,000
in inverse order on September 1, 2007, and any date			<u>495,000</u>
thereafter			
Lease Purchase Agreement (Issued March 1, 2002)	03/01/08	4.20%	88,000
	03/01/09	4.40%	91,000
Interest is payable September 1 and March 1. Notes	03/01/10	4.60%	96,000
due on September 1, 2012, and thereafter are callable	03/01/11	4.75%	100,000
in inverse order on March 1, 2002, and any date thereafter	03/01/12	4.90%	105,000
	03/01/13	5.00%	110,000
	03/01/14	5.10%	115,000
	03/01/15	5.20%	120,000
	03/01/16	5.25%	127,000
	03/01/17	5.30%	133,000
			<u>1,085,000</u>
Electric Revenue Notes (Issued November 29, 2006)	09/01/07	4.00%	55,000
	09/01/08	4.00%	85,000
Interest is payable September 1 and March 1. Notes	09/01/09	4.00%	90,000
due on September 1, 2021, and thereafter are callable	09/01/10	4.00%	85,000
in inverse order on September 1, 2012, and any date thereafter	09/01/11	4.00%	80,000
	09/01/12	4.05%	80,000
	09/01/13	4.15%	80,000
	09/01/14	4.20%	90,000
	09/01/15	4.25%	70,000
	09/01/16	4.30%	75,000
	09/01/17	4.40%	80,000
	09/01/18	4.45%	80,000
	09/01/19	4.50%	85,000
	09/01/20	4.55%	90,000
	09/01/21	4.60%	95,000
			<u>1,220,000</u>
Total Outstanding Debt			<u>\$ 4,100,000</u>

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATISTICAL REPORTS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	Unaudited 2007		Unaudited 2006		Increase (Decrease)
	KWH	Percent	KWH	Percent	
KWH AVAILABLE:					
Purchase or Generated	<u>46,053,725</u>	100.0	<u>47,332,834</u>	100.0	<u>(1,279,109)</u>
Total Available	46,053,725	100.0	47,332,834	100.0	(1,279,109)
LESS - CITY USE:					
Electric Utility System	525,151	1.1	394,944	0.8	130,207
Street Lights	<u>205,016</u>	0.4	<u>196,398</u>	0.4	<u>8,618</u>
Total City Use	<u>730,167</u>	1.5	<u>591,342</u>	1.2	<u>138,825</u>
Available for Sale	45,323,558	98.5	46,741,492	98.8	(1,417,934)
KWH SOLD:					
Residential	9,455,228	20.5	9,584,019	20.2	(128,791)
Commercial	7,972,768	17.3	8,081,734	17.1	(108,966)
Industrial	24,819,050	53.9	26,431,404	55.8	(1,612,354)
Municipal Water Utility	1,211,673	2.6	781,169	1.7	430,504
City of Greenfield	<u>428,159</u>	0.9	<u>519,596</u>	1.1	<u>(91,437)</u>
Total KWH Sales	43,886,878	95.2	45,397,922	95.9	(1,511,044)
Line Loss	<u>1,436,680</u>	3.3	<u>1,343,570</u>	2.9	<u>93,110</u>

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

RESIDENTIAL ELECTRIC:

Customer Charges Per Meter Per Month -	
Inside City Limits	\$ 7.50
Outside City Limits	11.50
Energy Charge Per Kilowatt Hour*	0.063
Demand Charge Per Kilowatt Over 40	10.00
Date Effective	2/1/06

COMMERCIAL ELECTRIC:

Customer Charges Per Meter Per Month -	
Inside City Limits	\$ 11.50
Outside City Limits	15.50
Three Phase Customer Per Meter Per Month -	
Inside City Limits	25.00
Outside City Limits	29.00
Energy Charge Per Kilowatt Hour Under 10,000*	0.074
Energy Charge Per Kilowatt Hour Over 10,000*	0.032
Date Effective	2/1/06

INDUSTRIAL ELECTRIC:

Customer Charges Per Meter Per Month -	\$ 100.00
Energy Charge Per Kilowatt Hour*	0.0345
Demand Charge, Per Kilowatt	10.00
Date Effective	2/1/06

METERS AT JUNE 30

1,297

*Rates are subject to a power cost adjustment which is based on the cost of power for the three preceding months and the kilowatt hour sales for the three preceding months. This adjustment can either increase or decrease the rate in effect for each month based upon the unrecovered cost in energy adjustment account.

See Independent Auditors' Report.

O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.
Ronald W. Ferdig, C.P.A.
Lawrence A. Wolfe, C.P.A.
Richard P. Edgar, C.P.A.
Steven M. Povich, C.P.A.
John Keblesh, C.P.A.

402-592-3800
Fax: 402-592-7747
www.ofwf.com

Gregory A. Harr, C.P.A.
Dwain E. Wulf, C.P.A.
Daniel R. Holt, C.P.A.
Daniel A. Dudley, C.P.A.
Geoffrey F. Schnathorst, C.P.A.
Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the financial statements of the Electric System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 2, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Electric System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Electric System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Electric System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we considered material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Electric System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Electric System's financial statements that is more than inconsequential will not be prevented or detected by the Electric System's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Electric System's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 1A, 1D, 1E and 1F to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Electric System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

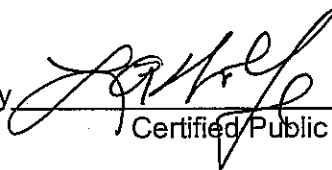
Comments involving statutory and other legal matters about the Electric System's operations for the years ended June 30, 2007 and 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Electric System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Electric Systems' responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we expressed our conclusions on the responses, we did not audit the Electric System's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By



Certified Public Accountant

November 2, 2007

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

PART 1: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- 07-1A **Cash Accounts** - We noted during our audit that only the checking accounts were being reconciled regularly while the savings accounts and certificates of deposits were not being regularly reconciled, and, in some cases, the general ledger showed erroneous cash balances for these accounts. Due to the limited number of people working in the office, many critical duties are combined and given to the first available employee. Presently, for the most part, a single individual prepares checks, reconciles bank accounts and maintains the general ledger. Recording of receipts and writing and recording payroll are performed by a different employee. To the extent possible, duties should be segregated to serve as a check and balance for identifying errors, to eliminate errors in the monthly financial reports, and to maintain the best control system possible. A primary control action is the regular reconciliation of all cash accounts.

Greenfield Municipal Utilities uses one checking account, one savings account and multiple certificates of deposit to manage its cash. However, more than one self-balancing fund is used for accounting purposes and tracks how each fund shares in the total cash. An integral part of the bank reconciliation is verifying each fund's share in the overall cash balance.

Recommendation - All cash accounts should be reconciled timely and regularly. Further, alternating the reconciliations between two employees would increase the overall control. In addition, we recommend the governing board be provided a monthly cash report which would show the total cash in each bank account and the amount of each fund's share in the overall checking, savings or certificates of deposits balance.

Response - This situation is a current problem and developed because of old deteriorating accounting software and by turnover of the Office Manager/City Clerk. This situation has been resolved subsequent to the current fiscal year end.

Conclusion - Response accepted.

- 07-1B **Authorized Check Signers** - We noted during our audit that the City clerk who had resigned during the year is still an authorized check signer according to the banks signature cards.

Recommendation - The City clerk who had resigned and is no longer employed by the Electric Utility should be deleted from the signature cards immediately.

Response - The City clerk who resigned will be deleted from the signature cards immediately.

Conclusion - Response accepted.

07-1C Journal Entries for Cash Transactions - We noted during our audit instances where transfers and other transactions from one fund to another were recorded by general journal entry rather than by writing a check on the first fund and making a deposit to the second fund. This procedure is possible because of the sharing of one bank account. However, using general journal entries bypasses the approval control process in place for cash disbursements. In a fund accounting system, it is very easy to erroneously make a transaction from one fund to another without effecting how each fund shares in the overall cash balances.

Recommendation - We recommend that all transfers be made only by writing a check from one fund to the other, which will then be approved as a claim in minutes of the governing meetings and be approved as a disbursement of the issuing fund. This will also result in the transaction showing on the bank statements for reconciliation purposes.

Response - We will adopt the auditor's recommendation.

Conclusion - Response accepted.

07-1D Accounts Receivable - Our audit procedures disclosed inadequate support of the accounts receivable balance shown in the general ledger as of the financial statement date. We believe the main factor contributing to this deficiency is the lack of regular reconciliations of the detailed receivable list total to the general ledger balance. The personnel do track a running balance of the correct detailed receivable total, but this total balance does not agree with the general ledger balance. This could result in erroneous internal financial statements used by management for rate setting, collections and other information.

Recommendation - We suggest that procedures be established to ensure that the accounts receivable detail system and the general ledger are reconciled on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. This procedure will assist in maintaining reliable internal control for the billing and collection of accounts receivable.

Response - Though the system has not been regularly reconciled in the past, the problem worsened because of old deteriorating accounting software and by turnover of the Office Manager/City Clerk. New software was installed in late fiscal 2006 and the Office Manager/City Clerk responsible for implementing the new software resigned during the current fiscal year. The new clerk is making good progress in catching up the control systems and learning and using the new software which includes a regular reconciliation of the accounts receivable list to the general ledger.

Conclusion - Response accepted.

07-1E Accurate Posting and Account Coding - During our audit procedures, we noted significant posting errors which required that corrections be made. This particular type of error is such that some errors may never be discovered. Further, as this is a government entity with requirements to accurately track cash to the purpose for which the cash is received, if the posting error is to the wrong fund's expense account, that fund's share of the overall cash balance is distorted and may cause violations with various statutes. In fact, one fund did show an overdraft which, after corrections, had positive cash balance.

Recommendation - We suggest that posting errors should occur only on a very limited basis. Management should communicate the importance of accurate account coding and stress the need to exercise greater care and understanding of the chart of accounts. In addition, management should reinforce the need for regular financial reports and determine what steps need to be taken to ensure the reports they want for proper oversight.

Response - Greenfield Municipal Utilities does use the Iowa recommended chart of accounts and has adopted GASB No. 34 accounting principles. To this end, a new chart of accounts was adopted in fiscal 2005. However, turnover of the Office Manager/City Clerk and the installation of new accounting software in late fiscal 2006 has overburdened the new Office Manager/City Clerk responsible for implementing the new software, producing the management financial reports and understanding the governmental chart of accounts. Good progress has been made in catching up the control systems and adjusting for the new software which includes regular reconciliations and management reports.

Conclusion - Response accepted. The new clerk has gained understanding from attendance at educational seminars offered by the State of Iowa. During the course of the annual audit, it was evident that progress has been made since the end of the fiscal year.

07-1F **Timely and Accurate Financial Reports** - We noted that various accounting and reporting processes are delayed. Lack of having timely and correct financial information can impact management's ability to effectively maintain oversight of an organization. Critical areas such as financial analysis, budgetary control, cash flow, and compliance with various statutes can all be negatively impacted. Further, we believe that the lack of timely management reports remove the important control function of management oversight necessary with limited segregation of duties.

Recommendation - We strongly suggest that whatever steps necessary be taken to ensure that the board receives current and accurate financial information on a timely basis. We further recommend that the reports be developed to come from the new software. This may require changing some work flow procedures or additional training on the new software. Once the reporting process is up to date, every effort must be made to maintain that status.

Response - Management did receive timely reports from the old accounting software. The current situation developed primarily because of the installation of new software in late fiscal 2006 and unexpected resignation of the Office Manager/City Clerk late in the current year. A new Office Manager/City Clerk was immediately hired. However, there was not sufficient time for the previous Office Manager/City Clerk to fully implement and become fluent with the new software and update various procedures needing changed because of the new software. The new software is not only for accounting, but is an entire office front desk system whereby most functions of the city and utilities record are digitized. The previous Office Manager/City Clerk was not able to train the incoming Office Manager/City Clerk. The new clerk is making good progress in learning the new software and catching up the control systems. Reports are now being made.

Conclusion - Response accepted.

07-1G **Unremitted Sewer Collections** - The Electric Utility is responsible for billing and collecting sewer fees on behalf of the City of Greenfield and remitting those collections back to the city. The policy is that the collections will be remitted on a monthly basis. We noted during our audit that October and November of 2006 collections have yet to be remitted to the city.

Recommendation - The Electric Utility should follow the policy of remitting the sewer fees collected every month.

Response - We will follow the auditor's recommendation.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters noted.

PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- 07-2A **Certified Budget** - Disbursements during the year ended June 30, 2007, did not exceed the amount budgeted for the Electric System as recorded in the budget, as amended, of the City of Greenfield included in the electric business type activity.
- 07-2B **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 07-2C **Travel Expense** - No expenditures of Electric System money for travel expenses of spouses of officials or employees were noted.
- 07-2D **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Electric Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.
- 07-2E **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.
- 07-2F **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.
- 07-2G **Revenue Notes** - Revenue note covenants require the set aside of money into Bond and Interest Funds, Bond Reserve Funds and Capital Improvement Reserve Funds. As of June 30, 2007, all reserve requirements had been complied with.
- 07-2H **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.